

Reports of officers of the California Medical Association, together with the detailed audited financial statements for the fiscal year ended June 30, 1968, heretofore published annually in CALIFORNIA MEDICINE, are being printed this year only in the Annual Reports Bulletin. The Bulletin, which is distributed

to Delegates and Alternates at the meeting of the House of Delegates, is also available to any member of the Association on request directed to Lytton O. Hetland, Director of Financial Affairs, California Medical Association, 693 Sutter Street, San Francisco, California 94102.

**REPORT OF**

***Certified Public Accountants***

**CALIFORNIA MEDICAL ASSOCIATION:**

We have examined the balance sheets of California Medical Association and Trustees of California Medical Association at June 30, 1968, and the related statements of income and expenses for the year then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements referred to above present fairly the financial position of California Medical Association and Trustees of California Medical Association at June 30, 1968, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

**JOHN F. FORBES & COMPANY**

San Francisco, California  
August 8, 1968

## **FINANCIAL REPORTS**

### **CALIFORNIA MEDICAL ASSOCIATION AND AFFILIATED COMPANIES**

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##### **CALIFORNIA MEDICAL ASSOCIATION AND TRUSTEES OF THE CALIFORNIA MEDICAL ASSOCIATION:**

**Notes to Financial Statements, June 30, 1968**

	JUNE 30		Increase (Decrease)
	1968	1967	
ASSETS			
CASH .....	\$ 93,963	\$ 71,474	\$ 22,489
CERTIFICATE OF DEPOSIT— CROCKER-CITIZENS NATIONAL BANK.....	500,000	1,000,000	(500,000)
UNITED STATES TREASURY BILLS, AT COST.....	493,497		493,497
ACCOUNTS RECEIVABLE, NET.....	77,740	81,990	(4,250)
ACCRUED INTEREST.....	3,995	9,409	(5,414)
NOTES RECEIVABLE:			
Central California Blood Bank.....	71,000	71,000	
Other.....	4,000		4,000
	75,000	71,000	4,000
PREPAID EXPENSES AND OTHER ASSETS:			
Retirement program premium (Note 1).....	19,054	18,204	850
Insurance.....	3,218	4,398	(1,180)
Deposits.....	3,549	1,834	1,715
Other.....	1,224	1,372	(148)
Total prepaid expenses and other assets.....	27,045	25,808	1,237
OFFICE FURNITURE AND EQUIPMENT (Note 2).....	34,439	23,125	11,314
NOTE AND ACCOUNTS RECEIVABLE, AFFILIATED ORGANIZATIONS:			
Trustees of the California Medical Association:			
Demand note, with interest at 4% per year.....	125,000		125,000
Account receivable.....	2,170	18	2,152
	127,170	18	127,152
Accounts receivable:			
Six Ninety Three Sutter Publications, Inc.....	3,470		3,470
California Medical Education and Research Foundation, Inc.....	2,887	20,622	(17,735)
California Committee on Regional Medical Programs.....	550		550
Total note and accounts receivable, affiliated organizations.....	134,077	20,640	113,437
	\$1,439,756	\$1,303,446	\$ 136,310
LIABILITIES			
ACCOUNTS PAYABLE:			
American Medical Education Foundation.....	\$ 81,688	\$ 108,228	\$ (26,540)
Other.....	90,757	105,466	(14,709)
Total accounts payable.....	172,445	213,694	(41,249)
DEFERRED INCOME:			
Dues and subscriptions applicable to the succeeding fiscal year.....	917,196	894,783	22,413
Other.....	863	4,230	(3,367)
Total deferred income.....	918,059	899,013	19,046
DUE TO AFFILIATED ORGANIZATIONS:			
Physicians' Benevolence Fund.....		23,077	(23,077)
Six Ninety Three Sutter Publications.....		10,452	(10,452)
Total due to affiliated organizations.....		33,529	(33,529)
EXCESS OF ASSETS OVER LIABILITIES (Note 3):			
Restricted as to use (Note 4).....	115,721		115,721
Unrestricted:			
Balance at beginning of year.....	157,210	33,712	123,498
Excess of income over expenses for the year.....	192,042	123,498	68,544
Transfer to restricted balance.....	(115,721)		(115,721)
Balance at end of year.....	233,531	157,210	76,321
Total excess of assets over liabilities.....	349,252	157,210	192,042
	\$1,439,756	\$1,303,446	\$ 136,310

See notes to financial statements.

**CALIFORNIA  
MEDICAL  
ASSOCIATION**  
(A Nonprofit Association)

**Balance Sheet**  
**June 30, 1968 and 1967**  
**and Comparison**

**CALIFORNIA  
MEDICAL  
ASSOCIATION**

**Statement of Income  
and Expenses  
Years Ended  
June 30, 1968 and 1967  
and Comparison**

	YEAR ENDED JUNE 30		Increase
	1968	1967	(Decrease)
INCOME:			
Membership dues, less portion allocated to CALIFORNIA MEDICINE subscriptions . . . . .	\$1,869,948	\$1,669,828	\$ 200,120
Booth rentals at annual session . . . . .	37,930	40,935	(3,005)
Postgraduate fees . . . . .	14,406	15,363	(957)
Interest earned . . . . .	21,257	20,483	774
Other . . . . .	15,330	16,217	(887)
	<u>1,958,871</u>	<u>1,762,826</u>	<u>196,045</u>
EXPENSES:			
Operational . . . . .	410,503	387,640	22,863
Scientific, educational, and communications . . . . .	751,334	800,941	(49,607)
Contributions . . . . .	136,525	185,008	(48,483)
Physicians' services and programs . . . . .	319,647	265,739	53,908
Field services . . . . .	148,820		148,820
	<u>1,766,829</u>	<u>1,639,328</u>	<u>127,501</u>
EXCESS OF INCOME OVER EXPENSES FOR THE YEAR . . . . .	\$ 192,042	\$ 123,498	\$ 68,544

See notes to financial statements.

**TRUSTEES OF THE  
CALIFORNIA  
MEDICAL  
ASSOCIATION**

**Statement of Income  
and Expenses  
Years Ended  
June 30, 1968 and 1967  
and Comparison**

	YEAR ENDED JUNE 30		Increase
	1968	1967	(Decrease)
INCOME:			
Excess of rental income over property expenses (property expenses over rental income).....	\$13,833	\$ (7,910)	\$21,743
Interest on United States Treasury bonds and bills.....	29,000	29,278	(278)
Dividend—Pacific Magnetic Tape Equipment Co.....	900	900	
Miscellaneous .....	52	52	
	<u>43,785</u>	<u>22,320</u>	<u>21,465</u>
EXPENSES (other than property)—Fees and insurance.....	2,736	4,308	(1,572)
	<u>41,049</u>	<u>18,012</u>	<u>23,037</u>
OTHER CHARGES:			
Net premium on life and retirement insurance policy.....	3,853	4,053	(200)
Provision for retirement or other benefit of an employee of an affiliated organization.....	3,111	3,000	111
Provision for deferred compensation.....	3,000	3,000	
	<u>9,964</u>	<u>10,053</u>	<u>(89)</u>
EXCESS OF INCOME OVER EXPENSES FOR THE YEAR.....	\$31,085	\$ 7,959	\$23,126

See notes to financial statements.

	JUNE 30		Increase
	1968	1967	(Decrease)
ASSETS			
CASH .....	\$ 25,701	\$ 24,423	\$ 1,278
UNITED STATES TREASURY BONDS, AT COST (maturity value, \$1,121,000; market value, 1968, \$1,014,616 and 1967, \$1,001,072) .....	1,119,152	1,119,152	
NOTE AND ACCOUNTS RECEIVABLE .....	6,017	2,850	3,167
ACCRUED INTEREST ON SECURITIES .....	2,119	2,119	
INVESTMENTS IN WHOLLY-OWNED SUBSIDIARIES, AT COST:			
Pacific Magnetic Tape Co. (Note 5) .....	9,000	9,000	
Six Ninety Three Sutter Publications, Inc. ....	1,000	1,000	
Total investments in wholly-owned subsidiaries .....	10,000	10,000	
PROPERTIES, AT COST (Note 6):			
Land .....	180,217	180,217	
Buildings and improvements .....	392,800	378,383	14,417
Furniture and equipment .....	8,575	5,198	3,377
	581,592	563,798	17,794
Less accumulated depreciation .....	99,501	83,685	15,816
Properties, net .....	482,091	480,113	1,978
EQUIPMENT, AT NOMINAL VALUE .....	1	1	
CASH SURRENDER VALUE OF LIFE INSURANCE .....	46,080	40,838	5,242
PREPAID INSURANCE .....	1,458	3,800	(2,342)
REAL ESTATE TAXES APPLICABLE TO SUBSEQUENT YEAR (contra) .....	16,700	19,000	(2,300)
	<u>\$1,709,319</u>	<u>\$1,702,296</u>	<u>\$ 7,023</u>
LIABILITIES			
ACCOUNTS PAYABLE AND ACCRUED EXPENSES:			
California Medical Association .....	\$ 1,319	\$ 17	\$ 1,302
Interest and accrued expenses .....	3,004	2,408	596
Real estate taxes (contra) .....	16,700	19,000	(2,300)
Total accounts payable and accrued expenses .....	21,023	21,425	(402)
NOTES PAYABLE:			
California Medical Association, payable on demand, with interest at 4% per year—Unsecured .....	125,000		125,000
The Connecticut Mutual Life Insurance Company, with deed of trust as collateral (payable in quarterly installments of \$2,506, including interest, to March 1, 1973) (Note 6) .....	40,452	48,541	(8,089)
Crocker-Citizens National Bank—Unsecured .....		150,000	(150,000)
Total notes payable .....	165,452	198,541	(33,089)
TRUST FUNDS (Note 7) .....	125,127	115,789	9,338
DEFERRED COMPENSATION PAYABLE .....	16,750	16,500	250
DEFERRED INCOME .....	753	912	(159)
EXCESS OF ASSETS OVER LIABILITIES (Note 3):			
Balance at beginning of year .....	1,349,129	1,341,170	7,959
Excess of income over expenses for the year .....	31,085	7,959	23,126
Balance at end of year .....	<u>1,380,214</u>	<u>1,349,129</u>	<u>31,085</u>
	<u>\$1,709,319</u>	<u>\$1,702,296</u>	<u>\$ 7,023</u>

See notes to financial statements.

**TRUSTEES OF THE  
CALIFORNIA  
MEDICAL  
ASSOCIATION**  
(A Nonprofit Corporation)

**Balance Sheet  
June 30, 1968 and 1967  
and Comparison**

**CALIFORNIA MEDICAL  
ASSOCIATION and  
TRUSTEES OF THE  
CALIFORNIA MEDICAL  
ASSOCIATION**

**Notes to  
Financial Statements  
June 30, 1968**

**NOTE:**

**1. EMPLOYEE PENSION PLANS**

In addition to the Group Pension Program which became effective on January 1, 1961, the California Medical Association has arranged for the funding of a Past Service Pension Plan for certain full-time employees. The previously required waiting period of three years was eliminated, which resulted in an additional liability of \$62,734. This liability will be amortized over 20 years. The Travelers' Insurance Company has underwritten the plan and will furnish annuity contracts as eligible employees retire. Neither the amount on deposit nor any liability for pensions is carried on the books of the Association or included in the accompanying balance sheet. The plan is on a calendar-year basis.

The net pension expense for the year was \$23,892 which includes amortization of prior service costs over a period of 20 years. It is the policy of the Association to fund pension costs as accrued. The actuarially computed value of vested benefits at June 30, 1968 exceeded the total of the pension fund less pension prepayments by approximately \$10,060.

**2. OFFICE FURNITURE AND EQUIPMENT**

Acquisitions prior to July 1, 1966 are carried at a nominal amount of \$1. At May 13, 1966, the firm of Marshall and Stevens, appraisers, estimated that the sound value of assets then owned was \$104,415. Assets acquired after July 1, 1966, are summarized as follows:

	Cost	Depreciation or Amortization
Office furniture and equipment:		
Owned July 1, 1967.....	\$25,385	\$2,533
Purchased during the current year.....	14,217	
Provision for the current year.....		5,691
	<u>39,602</u>	<u>8,224</u>
Leasehold improvements, Sacramento office:		
Cost .....	3,357	
Amortization .....		296
	<u>\$42,959</u>	<u>\$8,520</u>
Net book value.....	<u>\$34,439</u>	

**3. COMBINED NET WORTH**

The Trustees of the California Medical Association is a wholly-owned subsidiary of the California Medical Association. The Trustees hold in trust a large portion of the assets utilized by the California Medical Association. The combined net worth of the two organizations is summarized as follows:

Entity	JUNE 30		Increase
	1968	1967	
California Medical Association:			
Restricted as to use.....	\$ 115,721		\$115,721
Unrestricted .....	233,531	\$ 157,210	76,321
	<u>349,252</u>	<u>157,210</u>	<u>192,042</u>
Trustees of the California Medical Association.....	1,380,214	1,349,129	31,085
	<u>\$1,729,466</u>	<u>\$1,506,339</u>	<u>\$223,127</u>

The combined net worth at June 30, 1968 shown in the summary above does not include the following items:

**California Medical Association:**

Excess of the appraised value of furniture and office equipment acquired prior to July 1, 1966 over accumulated depreciation and nominal carrying value, approximately.....\$ 83,000

Audio-Digest Foundation, a wholly-owned subsidiary; net worth as shown by the Foundation's audited balance sheet at June 30, 1968..... 328,603

Trustees of the California Medical Association—Excess of net worth over Trustees' investment in their wholly-owned subsidiary, Pacific Magnetic Tape Co., based on that company's unaudited balance sheet at June 27, 1968..... 36,337

\$447,940

**4. EXCESS OF ASSETS OVER LIABILITIES—RESTRICTED AS TO USE**

The budget for the fiscal year ended June 30, 1968, as approved by the Council, authorized the segregation of a portion of the excess of income over expenses in the amount of \$115,721, leaving the remainder available for possible current requirements.

**5. WHOLLY-OWNED SUBSIDIARY**

The Trustees of the California Medical Association owns all of the outstanding stock of the Pacific Magnetic Tape Equipment Co., which was formed for the purpose of merchandising magnetic tape equipment as an adjunct to the activities of the Audio-Digest Foundation, a wholly-owned subsidiary of the California Medical Association.

## 6. PROPERTIES

On October 10, 1966, the Trustees of the California Medical Association purchased the land and building located at 679 Sutter Street. The properties are summarized as follows:

	693 Sutter Street	679 Sutter Street	Total
Land .....	\$ 87,400	\$ 92,817	\$180,217
Buildings and improvements .....	314,911	77,889	392,800
Furniture and equipment .....	8,575		8,575
	<u>410,886</u>	<u>170,706</u>	<u>581,592</u>
Less accumulated depreciation .....	92,848	6,653	99,501
	<u>\$318,038</u>	<u>\$164,053</u>	<u>\$482,091</u>

The property located at 693 Sutter Street, San Francisco, is subject to a deed of trust to The Connecticut Mutual Life Insurance Company as collateral for a note with a balance of \$40,452 at June 30, 1968.

## 7. TRUST FUNDS

These funds are summarized as follows:

For Mr. and Mrs. Ben H. Read .....	\$ 60,000
Morris Herzstein Bequest .....	19,047
Life insurance retirement plan for legal counsel .....	46,080
	<u>\$125,127</u>

The portion of the Trust Funds applicable to the retirement or similar benefit to Mr. and Mrs. Ben H. Read, has not been segregated from other assets of the corporation as provided by the bylaws, as such funds are presently invested in United States Treasury securities of indivisible denominations.

The life insurance retirement plan for legal counsel is offset by the cash surrender value of a life insurance policy.